

Message Text

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ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 PA-04 PRS-01 USIA-15 IGA-02 IO-14 DRC-01 /194 W

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FM AMCONSUL LOURENCO MARQUES

TO SECSTATE WASHDC PRIORITY 2569

INFO USDOC WASHDC

AMEMBASSY LISBON

AMCONSUL LUANDA

LIMITED OFFICIAL USE LOURENCO MARQUES 0392

E.O. 11652: N/A

TAGS: ETRD, EFIN, MZ

SUBJECT: IMPORT AND FOREIGN EXCHANGE CONTROLS

REF: STATE 104729

BEGIN UNCLASSIFIED

1. SUMMARY: AFTER TEMPORARY SUSPENSION FOLLOWING LISBON COUP, MOZAMBIQUE GOVERNMENT AGAIN ISSUING IMPORT PERMITS AND AUTHORIZATION FOR PAYMENT FOR IMPORTED GOODS. BANKERS REPORT NO CHANGE IN PROFIT REPATRIATION, WHICH EVEN BEFORE COUP GREATLY RESTRICTED. U.S. SUPPLIERS ADVISED TO EXERCISE CAUTION UNTIL POLITICAL-ECONOMIC SITUATION BECOMES CLEARER. END SUMMARY.

2. MOZAMBIQUE DEPARTMENT OF COMMERCE OFFICIAL INFORMED US ISSUANCE OF IMPORT PERMITS AND AUTHORIZATION FOR PAYMENT FOR IMPORTED GOODS NOW PROCEEDING NORMALLY. HE SAID THERE WAS PERIOD FOLLOWING APRIL 25 COUP DURING WHICH

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IMPORT PERMITS AND FOREIGN PAYMENTS WERE TEMPORARILY SUS-

PENDE IN VIEW POLITICAL AND EXCHANGE RATE UNCERTAINTIES.

3. LOCAL IMPORTERS CONFIRM THEY NOW RECEIVING IMPORT PERMITS AND AUTHORITY TO PAY ABROAD, ALTHOUGH SOME RECENT APPROVALS ARE FOR REQUESTS TO IMPORT GOODS SUBMITTED IN JANUARY-MARCH, 1974. THEY ALSO REPORT FOREIGN SUPPLIERS, AFTER TEMPORARY SUSPENSION FOLLOWING COUP, ARE ONCE AGAIN EXTENDING CREDIT TO THEM. THEY ADMIT POSSIBILITY SUPPLIERS MAY PLAN TO REDUCE OVERALL EXPOSURE OF CREDIT EXTENDED TO CUSTOMERS IN MOZAMBIQUE. UNDER CIRCUMSTANCES, DEPARTMENT MAY WISH TO ADVISE U.S. SUPPLIERS TO EXERCISE CAUTION IN TRANSACTIONS WITH MOZAMBIQUE CUSTOMERS UNTIL POLITICAL- ECONOMIC SITUATION BECOMES CLEARER.

4. EVEN BEFORE COUP, AUTHORIZATION FOR PROFIT REPATRIATION RESTRICTED AND SUBJECT TO SUBSTANTIAL DELAYS. BANKERS REPORT NO CHANGE IN REPATRIATION REGULATIONS. END UNCLASSIFIED.

5. BEGIN LIMITED OFFICIAL USE. THERE IS NO DOUBT MOZAMBIQUE IS IN SERIOUS FINANCIAL STRAITS. EVEN BEFORE APRIL 25 COUP, MOZAMBIQUE AUTHORITIES SEVERELY RESTRICTED IMPORTS BECAUSE OF PERSISTING BALANCE OF PAYMENTS DEFICIT. ONE SOURCE INFORMED US CONFIDENTIALLY THAT NEW MINISTER OF INTER-TERRITORIAL COORDINATION SHOCKED AT SIZE OF MOZAMBIQUE'S EXTERNAL DEBT--ESTIMATED AT BETWEEN 15-20 MILLION CONTOS (\$600-800 MILLION)-- AND UNCOVERED EVIDENCE OF WIDESPREAD CORRUPTION AND LOSS OF FUNDS IN GOVERNMENT (APPROXIMATELY \$52 MILLION UNACCOUNTED FOR). FORMER PORTUGUESE REGIME AGREED TO GRANT MOZAMBIQUE 3.5 MILLION CONTO LOAN (U.S. \$140 MILLION), 3 MILLION CONTOS OF WHICH WAS SUPPOSED TO MEET ANTICIPATED BALANCE OF TRADE DEFICIT IN 1974. MOZAMBIQUE GOVERNMENT OFFICIALS ARE APPREHENSIVE THAT NEW PORTUGUESE GOVERNMENT WILL DELAY DISBURSEMENT OF THESE FUNDS. IN MEANTIME, MOZAMBIQUE'S FOREIGN EXCHANGE EARNINGS WILL PROBABLY BE ADVERSELY AFFECTED BY LABOR STRIKES, WHICH MAY CURTAIL SOME PRODUCTION FOR EXPORT AND HAVE ALREADY DISRUPTED DURING PAST TEN DAYS PORT AND RAILROAD TRANSPORTATION NETWORK, ONE OF MOZAMBIQUE'S PRINCIPAL SOURCES OF FOREIGN EXCHANGE. EARNINGS FROM TOURISM SHOULD ALSO DECREASE SUBSTANTIALLY, NOT ONLY BECAUSE FEWER VISITORS ARE LIMITED OFFICIAL USE

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COMING TO MOZAMBIQUE BUT BECAUSE FOREIGNERS ARE TAKING FULL ADVANTAGE OF PARALLEL BLACK MARKET FOR FOREIGN EXCHANGE, RUNNING 60-80 PERCENT OVER OFFICIAL RATE.
VAN OSS

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